

Message Text

SECRET

PAGE 01 ABU DH 01836 01 OF 02 281600Z
ACTION SS-25

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-----068078 281608Z /41

R 281235Z JUN 78
FM AMEMBASSY ABU DHABI
TO SECSTATE WASHDC 8068
INFO AMEMBASSY ALGIERS
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY CARACAS
AMEMBASSY DOHA
AMEMBASSY JAKARTA
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY LIBREVILLE
AMEMBASSY LAGOS
AMEMBASSY LOND
N 1088
RUQMAM/AMEMBASSY MANAMA 1665
AMEMBASSY OTTAWA
AMEMBASSY PARIS
AMEMBASSY QUITO
AMEMBASSY TEHRAN
AMEMBASSY TOKYO
AMEMBASSY TRIPOLI
AMEMBASSY VIENNA
USINT BAGHDAD
AMCONSUL DHAHRAN
USMISSION GENEVA
AMEMBASSY RIYADH

S E C R E T SECTION 1 OF 2 ABU DHABI 1836

EXDIS

E.O. 11652: XGDS-2
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TAGS: ENRG
SUBJ: GENEVA OPEC CONFERENCE AND FORTHCOMING ABU DHABI OPEC
CONFERENCE

REF: ABU DHABI 1425

SUMMARY: UTAYBA FEELS PRINCIPAL ACCOMPLISHMENT OF GENEVA OPEC

CONFERENCE WAS MODERATES' ABILITY RESTRAIN RADICALS WHILE AVOIDING OVERT CRISIS WITHIN OPEC'S RANKS. SEES NEXT OPEC MEETING IN ABU DHABI AS PARTICULARLY IMPORTANT FOR NUMBER OF ISSUES THAT WILL BE DISCUSSED. BESIDES PRICE, CURRENCY BASKET, LEVELS OF PRODUCTION, AND RECOMMENDATIONS ON FUTURE OF OPEC BY SIX-MEMBER COMMITTEE, HE PLANNING SUBMIT AT THAT TIME PAPER ON NEED ESTABLISH NEW DIALOGUE BETWEEN OPEC AND OIL COMPANIES TO GIVE THEM AT LEAST A LIMITED ROLE IN PRODUCTION, PRICING AND MARKETING DECISIONS. END SUMMARY.

1. I CALLED ON OIL MINISTER UTAYBA JUNE 28 TO RECEIVE HIS IMPRESSIONS OF RECENT GENEVA OPEC OIL MINISTERS MEETING AND TO DISCUSS PLANS FOR NEXT OPEC MEETING IN ABU DHABI ON DECEMBER 16. OPEC MEETING WILL BE PRECEDED BY A TWO-DAY OPEC MEETING SO THAT ALL HOTELS IN TOWN WILL BE FULL BY DECEMBER 14. HILTON HOTEL WILL BE SITE OF OPEC AND OPEC MEETINGS BUT MINISTRY ALREADY CONCERNED WHERE TO PUT LOWER RANKING MEMBERS OF DELEGATIONS AND PARTICULARLY MEDIA REPS WHO EXPRESSED DISSENT ON ABU DHABI IN LARGE NUMBERS AT THAT TIME.

2. REFERRING TO OUR LAST CONVERSATION (REFTEL) UTAYBA SAID RESULTS GENEVA OPEC CONFERENCE PRETTY MUCH AS PREDICTED. HE THOUGHT PRINCIPAL ACCOMPLISHMENT HAD BEEN TO KEEP "THE RADICALS," I.E., LIBYA, IRAQ AND ALGERIA, UNDER CONTROL EVEN THOUGH THERE HAD BEEN RECRIMINATIONS DIRECTED PRIMARILY AGAINST SAUDI OIL MINISTER YAMANI. SAUDI CROWN PRINCE FAHD'S STOP IN GENEVA ON HIS WAY TO WEST
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GERMANY DURING THIRD DAY OPEC CONFERENCE APPARENTLY WAS COINCIDENTAL BUT HAD WORTHWHILE PSYCHOLOGICAL EFFECT ON LENDING EMPHASIS TO YAMANI'S POSITION.

3. UTAYBA MENTIONED THAT MOST EFFECTIVE ARGUMENT USED AGAINST THE MILITANTS WAS THE SURPLUS CAPACITY OF OPEC COUNTRIES, EVEN THOUGH HE FELT THAT THIS SURPLUS WAS INCREASINGLY AN ARTIFICIAL ONE GIVEN SAUDI ARABIA'S POLICY OF TYING SALES OF HEAVY CRUDE TO THOSE OF LIGHT CRUDE AND UAE PRODUCTION PLATEAUS FOR ITS LARGE EXISTING FIELDS. HOWEVER, SURPLUS CAPACITY ARGUMENT WAS STILL CREDIBLE AND HE THOUGHT WOULD CONTINUE TO BE IN FUTURE GIVEN CONTINUED INVESTMENT BEING MADE IN SAUDI ARABIA AND UAE FOR NEW PRODUCTION FACILITIES

IN UAE ALONE, HE BELIEVED PRODUCTION CAPACITY WOULD RISE TO 4 MILLION BPD BY MID-1980S (ONE MILLION BPD ALONE FROM UPPER ZAKUM DEVELOPMENT).

4. UTAYBA SAID THAT DURING GENEVA CONFERENCE, HE HAD RAISED INFORMALLY NEED TO ESTABLISH A NEW DIALOGUE BETWEEN OPEC AND OIL COMPANIES. WITH PRODUCER GOVERNMENTS INCREASINGLY TAKING OVER MANAGEMENT AND OWNERSHIP OF CONCESSIONS HELD BY OIL COMPANIES, LATTER NO LONGER PLAYING ROLE AS BUFFER BETWEEN PRODUCERS AND

CONSUMERS NOR WERE THEIR VIEWS CONSIDERED ON TECHNICAL OR MARKETINR PROBLEMS. HE WANTED OIL COMPANIES TO BE BROUGHT BACK MORE INTO PICTURE. HE THOUGHT OPEC COUNTRIES SHOULD AT LEAST LISTEN CAREFULLY TO OIL COMPANY VIEWS ON WORLD PRODUCTION AND PRICING, CONSIDER WHAT THEY HAVE TO SAY ABOUT FUTURE OIL CONSUMP--589., AND STUDY THEIR FORECASTS ON TECHNICALITIES OF EXPLOITATION (SECONDARY AND TERTIARY). UTAYBA CLAIMED THAT INITIAL REACTION TO THIS PROPOSAL HAD BEEN FAVORABLE AND HE NOW INTENDED TO PRESENT IDEAS THROUGH FORMAL MEMORANDUM OR PAPER TO OPEC MINISTERS BEFORE NEXT CONFERENCE IN ABU DHABI.

5. UTAYBA ANTICIPATED NEXT OPEC MEETING WOULD BE AN IMPORTANT ONE WITH THE GROWING NUMBER OF ISSUES THAT ARE NOW ON OPEC AGENDA. PRICE INCREASE, CURRENCY BASKET FOR PRICE DETERMINATION, LEVELS
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OF PRODUCTION AMONG OPEC PRODUCERS, STRENGTH OF WESTERN ECONOMIES AND ANY RECOMMENDATIONS MADE BY SIX MEMBER COMMITTEE FORMED AT TAIF CONFERENCE ON FUTURE OF OPEC PRESUMABLY WOULD DOMINATE DISCUSSION. BUT HE HOPED WOULD ALSO BE POSSIBLE DISCUSS HIS CONCEPT OF EXPANDING DIALOGUE WITH OIL COMPANIES OUTLINED ABOVE AS WELL AS IDEA OF SPECIAL DIALOGUE BETWEEN MAJOR OIL PRODUCER AND CONSUMER COUNTRIES (ONE OF HIS FAVORITE THEMES.) ALTHOUGH A SPECIAL COMMITTEE HEADED BY THE KUWAITI OIL MINISTER HAD BEEN FORMED AT GENEVA TO CONSIDER A NEW PRICING FORMULA, HE DID NOT EXPECT THAT THERE WOULD BE AN EXTRAORDINARY OPEC MINISTERS MEETING BETWEEN NOW AND DECEMBER. HE ALSO MADE INTERESTING COMMENT THAT WHILE KUWAIT OIL MINISTER'S COMMITTEE WOULD CONSIDER UTAYBA'S CURENCY BASKET PROPOSAL AS UNIT FOR PRICE DETERMINATION, HE WAS IN NO HURRY TO PUSH FOR IT. HE THOUGHT IT COULD WAIT UNTIL

DECEMBER. BY THEN THERE WOULD BE A CLEARER PICYURE OF POSITION OF THE DOLLAR AND WHETHER RICH OECD COUNTRIES PLAN REINVIGORATE THEIR ECONOMIES ON BASIS OUTCOME OF WESTERN ECONOMIC SUMMIT IN BONN NEXT MONTH.

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ACTION SS-25

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AMEMBASSY KUWAIT

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AMEMBASSY LAGOS

AMEMBASSY LOND

N 1089

AMEMBASSY MANAMA

AMEMBASSY OTTAWA

AMEMBASSY QUITO 1010

AMEMBASSY TEHRAN

AMEMBASSY TOKYO

AMEMBASSY TRIPOLI

AMEMBASSY VIENNA

AMEMBASSH BAGHDAD

AMEMBASSY DHAHRAN

AMEMBASSY GENEVA

AMEMBASSY RIYADH

S E C R E T SECTION 2 OF 2 ABU DHABI 1836

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6. UTAYBA HOPED OPEC MEETING IN ABU DHABI WOULD NOT BE A STORYM
ONE THAT WOULD IMPLY THERE WAS SOME KIND OF CRISIS. HE AGREED THAT
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SIX-MEMBER COMMITTEE AT TAIF AND KUWAIT OIL MINISTER'S COMMITTEE
TENDE TO DEFUSE ISSUES AND PUT THEM OFF FOR AWHILE. SINCE IT MIGHT
NOT BE POSSIBLE TO DO THIS AGAIN AT NEXT OPEC MEETING, HE PLANNED
TO TOUR NUMBER OF OPEC CAPITALS PRIOR TO ABU DHABI MEETING TO TEST
WATERS. IN THIS CONNECTION, HE INQUIRED WHETHER IT WOULD BE
WORTHWHILE FOR HIM TO VISIT WASHINGTON AND NEW YORK FOR ABOUT ONE
WEEK THIS FALL. HE WONDERED WHETHER IT WOULD BE POSSIBLE TO HAVE
"A USEFUL PROGRAM" WORKED OUT WHERE HE COULD MEET WITH VARIOUS
SENATORS AND CONGRESSMEN AS WELL AS CABINET OFFICIALS. I MENTIONED
THAT THIS WAS A PERIOD OF CONGRESSIONAL ELECTIONS BU WOULD SEEK
WASHINGTON'S INFORMAL REACTION.

7. COMMENT: WE RECOGNIZE THAT FALL OF ELECTION YEAR PROBABLY NOT

A PARTICULARLY GOOD TIME FOR SORT OF VISIT UTAYBA CONTEMPLATING.
WOULD NEVERTHELESS APPRECIATE HAVING DEPARTMENT'S VIEWS ABOUT BEST
POSSIBLE TIMING FOR SUCH A VISIT OR WHETHER WE SHOULD ACTIVELY
DISCOURAGE UTAYBA'S COMING THIS YEAR.
DICKMAN

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